SUSTAINABILITY REPORT
Third Quarter 2020

SKAGEN

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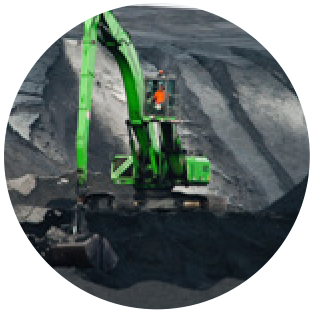


IMPORTANT INFORMATION

Climate change and a sixth mass extinction are complex and all-encompassing problems. They demand myriad responses from all parts of society, in all parts of the world. Photo: Emma Francis, Jökulsárlón, Iceland. Unsplash.com

A tale of fire and ice

Recently, a good friend of many decades sent me a video clip of an airtanker dropping its fire-retardant load on the front lawn of his homestead in the Aspen Valley, Colorado. His corner of rural America is beset by a bizarre combination of fire and freeze, with those areas not ablaze gripped by freezing temperatures and snow. At the same time, we read currently of the accelerating melt of the Thwaites 'Doomsday Glacier' in Antarctica – forecast to raise sea levels globally by anything from 65 centimetres to 3 metres. And just now, the World Wildlife Fund reports that wildlife is in catastrophic decline due to human destruction, with wildlife populations falling by more two-thirds in less than 50 years[i]. Truly we are experiencing crises of both climate and biodiversity loss, and with them the risk of social and ecological collapse.

So how do we respond to these dire challenges? Climate change and a sixth mass extinction[ii] are complex and all-encompassing problems. They demand a wide range of responses from all parts of society, in all parts of the world.

Government action

Here in Europe, governments have committed to meeting the challenges of climate and extinction head-on. The EU action plan on sustainable finance is new legislation impacting environmental, social and governance (ESG) issues. This seminal regulation, effective from the end of this year, commits the European project to green growth in the years to come. Emissions reduction targets are increased to at least 50% and towards 55% compared to 1990 levels, with targets enshrined in climate law. And there is a firm push to achieve climate neutrality by 2050.

As part of the EU action plan, investors and asset managers will be subject to explicit ESG regulation. This will be felt across the entire investment chain and it variously aims to: direct capital flows towards sustainable investment; place sustainability as a mainstream factor within risk management; and foster transparency and long-term thinking. This is good. Further commitment to all things sustainable by finance industry participants will accompany this regulation. Some of this will be worthy and effective; some of it will be mere gesture or green washing. Therefore, knowing precisely in what one is invested and why will remain vital.

Client action

As so often happens, public opinion is moving faster than both governments and business. Extinction Rebellion[iii], Fridays for Future[iV] and other environmental movements are one part of this. Closer to home, recent client surveys in asset management show demand for increased focus on ESG in investment analysis[v]. By 2025, millennials[vi] are projected to represent over half of the global workforce, and not for nothing are they known as the value-driven generation. A survey of investors showed that 95 percent of millennials seek sustainable investment solutions[vii]. And generation Z, the generation after millennials, with Greta Thunberg at the forefront are even further ahead in terms of preference for sustainable solutions. The future is clear, and it's green.

SKAGEN action

SKAGEN's principal task is the delivery of superior investment returns and advice to our clients. For more than a decade the firm has explicitly sought to do this in a way that leaves the world a better place. A clear and realistic sustainability policy has informed this, underwritten by long experience, and success, both in the integration of ESG analysis in the investment process, and in engagement with the companies in which the funds invest. Over this past summer, we adopted a further improved policy. This tightens restrictions against companies that contribute heavily to climate change while excluding businesses that lobby against the goals of the Paris Agreement on climate action. The tenets of this policy are described later in this report.

What's next? Whatever steps SKAGEN takes towards greater commitment to sustainability, for certain they will be honest, credible, and in the interests of both clients and employees. SKAGEN offers sustainability in the funds, and the policies, execution, engagement, and reporting that delivers this will continue to improve, including further tightening of the policy.

From once being judged a drag on return, ESG is increasingly accepted as a source of additional return, both a performance enhancer and offering protection against downside risk. ESG as risk mitigation is one thing, more a hygiene factor which all fund managers will need to do sufficiently well; however, generating returns and impact through engagement and by seeing the investment potential in ESG innovation and its application will differentiate fund managers. In both these areas SKAGEN has a credible success record on which to build. SKAGEN portfolio managers will continue to find exciting opportunities in which to invest that both generate excess returns and have real impact on the situation at hand.

There is more to be done in identifying and highlighting investments that create value while contributing to a more sustainable future. Fundamental bottom-up analysis of the sustainability characteristics of companies is becoming increasingly important. A low-carbon transition will not happen overnight however, and for every celebrated sustainability leader there are many companies working actively behind the scenes to make incremental improvement. Within the SKAGEN portfolio team this is described through the fable of the 'tortoise and the hare', a metaphor which is explained further in this report.

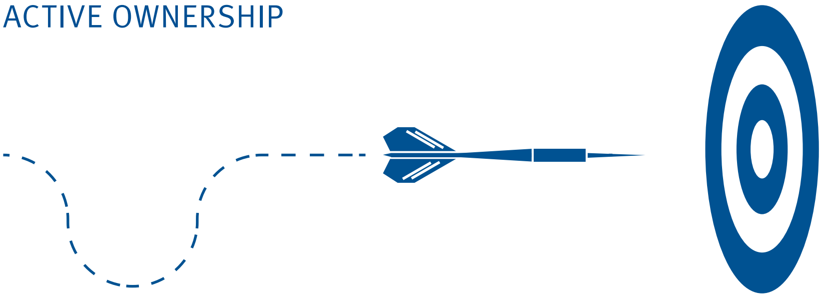
At a corporate level, a commitment to more sustainable day-to-day operations is important for SKAGEN employees. The ongoing audit of routine activity and our corporate sustainability plan will help to ensure we keep track of the best in making the firm a sustainable leader in the way that we live and work.

The pandemic reckoning

COVID-19 has brought sustainability into sharp focus, and in all areas environmental, social and governance. It has been a wake-up call for many and perhaps this is the silver lining that we should acknowledge. There is welcome and substantial commitment to the cause of sustainability from governments, from business, and from the public. In finance, as ever, the claims around sustainability will be many and bold; some of them may even be true. Here in SKAGEN we remain committed to securing the financial security of our clients, but in a way that makes the world a better place, for all of us.

Timothy Warrington
CEO

[I] Living Planet Report 2020 – Bending the Curve of Biodiversity Loss
[II] t is widely accepted that multicellular animal life has experienced five major and many minor mass extinctions.
[III] Extinction Rebellion is a global environmental movement with the stated aim of using nonviolent civil disobedience to compel government action to avoid tipping points in the climate system, biodiversity loss, and the risk of social and ecological collapse.
[IV] Fridays for Future is the school strike for climate movement founded by Greta Thunberg in 2018.
[V] Janus Henderson.
[VI] Millennials or generation Y, aged 26 to 40 years old in 2020.
[VII] Morgan Stanley.



Third quarter engagement report

As long-term investors, we regularly engage with our portfolio companies to promote and encourage improvements.

As expected, engagement activity slowed during the summer months. Heading into autumn, a number of new cases entered our overall engagement activity – these are largely issues pertaining to human rights and corporate governance, such as disclosure practices.

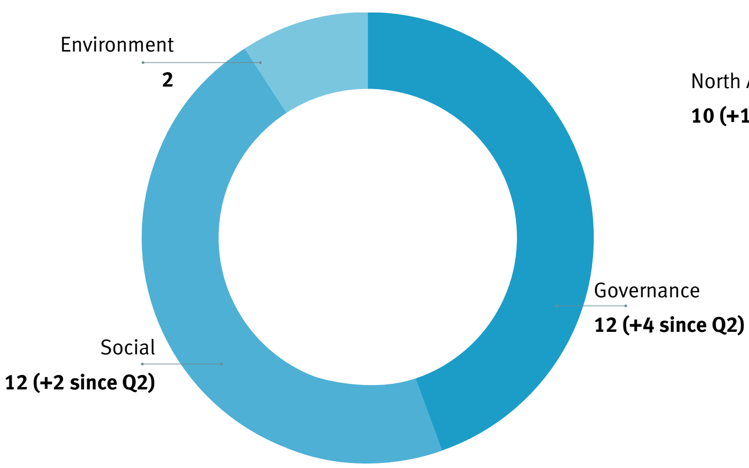
Being invested across the globe also means having exposure to human rights allegations and controversies in the supply chain of the large multinational companies that we are invested in. The new human rights cases added in the third quarter are part of that exposure.

Engaging with companies on these exposures can provide us with valuable insights. It enables us to compare actions undertaken (or not) by companies in similar situations. Whilst we do not expect our portfolio companies to avoid controversies altogether, we do expect them to already be aware of their exposures and to provide a response to investors on action undertaken as a result. Often, it is the company's response that leads to further engagement and dialogue. We might suggest that the company provide improved disclosure and communication to the market on how they have dealt with a specific exposure or ask them to clarify adherence to their human rights policy.

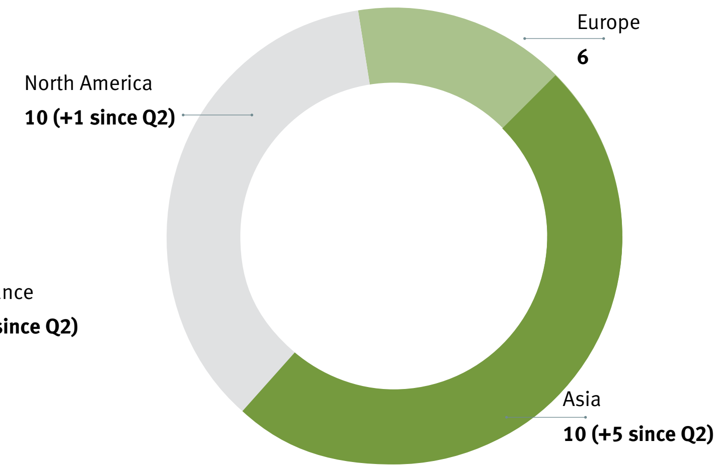
Striving to make a difference

We continue to target our engagement activities around issues we believe to be material for the company and for us as an investor as well as cases where we believe we can make a difference through a more focused dialogue and engagement. Our current engagement cases are of varying degrees of intensity and severity. We also have a small pipeline of new cases as we enter the final quarter of the year.

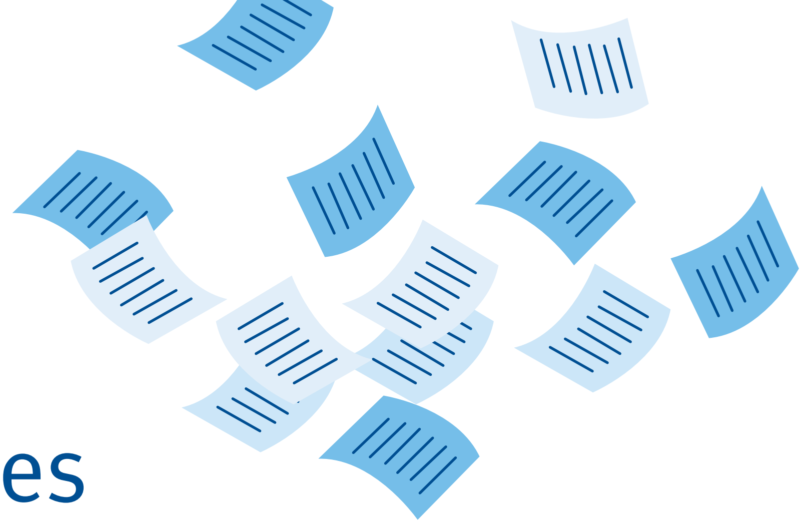
Current engagements by ESG category



Current engagements by region



Our approach to sustainable investments is built upon three main pillars: Exclusion, Integration and Active Ownership. Each method is applied in different circumstances and leads to different investment outcomes. The full potential of a sustainable investment strategy is only realised when applying the methods together. Read more here



Voting activities

Voting is an important tool for investors, allowing us to signal what we believe to be the best course of action for a company and for us as a shareholder. Voting gives us an additional channel through which to address concerns and influence companies in a direction that we believe is sustainable without necessarily being present at meetings.

Increase in voting activities

During the third quarter of 2020, there were 37 voteable meetings and 75 voteable ballots at our portfolio companies, with 406 voteable items on the agenda. SKAGEN voted on 96.80% of the items, which is down from the third quarter of last year, where we voted on 99.53% of the items. The decrease is due to SKAGEN Kon-Tiki selling out of State Bank of India right before the AGM.

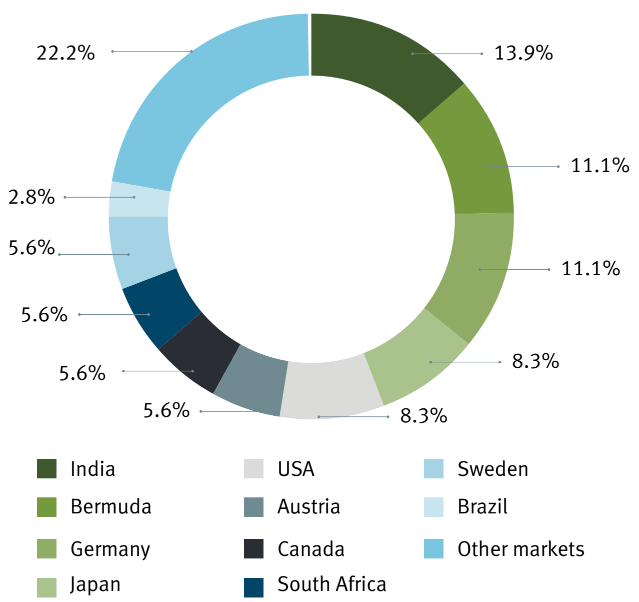
Votes were in line with management recommendations 95.17% of the time, while 4.83% of the time we voted against management recommendations on one or more items on the agenda. All voting activities can be found in the proxy voting dashboard on our website. All votes are published the day after the votes have been cast, and in the cases where we have voted against management recommendations, an explanation is provided.

All voting decisions are made by the fund in question, with the objective of securing the best possible risk-adjusted returns for their unit holders.

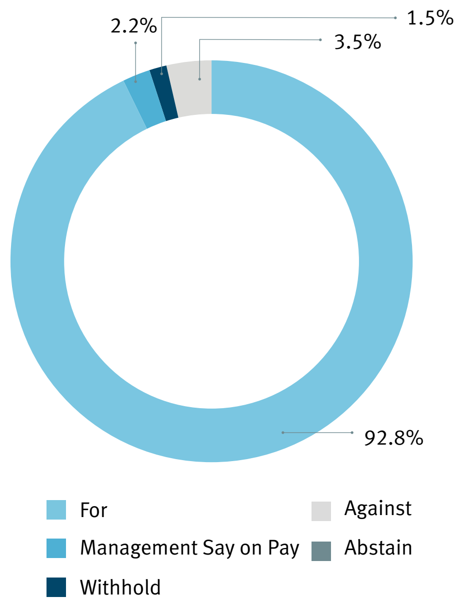
Our full voting record is available here

Year	Q3 2020	Q3 2019	Q3 2018
Number of meetings voted	**36/37**	**26/26**	**18/19**
% of meetings voted in	97.30%	100.00%	94.74%
Number of ballots voted	**74/75**	**43/43**	**24/26**
% of ballots voted on	98.67%	100.00%	92.31%

Meetings voted by market



Votes cast statistics



The tortoise and the hare

Differentiating between companies in the race towards sustainability.

The transition to a sustainable globe will be gradual over the coming decades, involving bursts of disruption - be that from stranded assets, disruptive technology or significant policy responses. We could argue that these dynamics already exist in the market with early movers challenging established companies with disruptive and future-proof products and solutions. These dynamics can be described through the parable of the tortoise and the hare. All companies these days are competing in a race, in some way or another, towards the necessary transition and endpoint required for the betterment, wellbeing, and even existence of our civilization.

Approaching this race from an investor perspective, we like to categorise companies into two baskets depending on their sustainability profile and rationale – the "hares" and the "tortoises". These profiles also contain interesting observations about the value investing philosophy, which is central to SKAGEN's funds.

The relevance for sustainability in investment processes

The respective features of hare and tortoise-like companies are intuitive. Hares, through a combination of tangible and intangible assets, bring the required products and solutions of the future to the present-day financial markets. Tortoises, on the other hand, are often perceived to be slow and even unwilling to address future absolute requirements. However, it is also the case that tortoises, for a multitude of reasons, require time to incrementally reach their future fundamental requirements.

Data from the Transition Pathway Initiative (TPI) on electric utilities provides a good illustration of the dynamic between hares and tortoises. In the framework, TPI looks at i) management quality – i.e. the level of awareness and strategic importance of climate change risks and opportunities within a company, and, connected to that ii) the carbon performance (measured in accordance with industry-relevant carbon intensity measures)[1].

As is shown in figure 1 on the next page, the carbon intensity of respective companies can be measured against two energy intensity pathways; those set by the company itself, and how those ambitions align against different climate scenarios[2].

The tortoise and the hare: why does it matter for investors?

Clearly, analysing and integrating sustainability factors into investment practices should be understood in the broadest sense possible and not focus solely on the hares of today. The hares do of course matter for a number of reasons: they challenge, disrupt and force tortoises to raise the bar and level of ambition – thus leveraging scope, size and network effects through their own product offering. Hares also require crucial financing to further scale and deploy their solutions to harness climate action as swiftly as possible.

Hares matter for a number of reasons. However, they are not unequivocally good investments for all investors. Photo: Gary Bendig. Unsplash.com

Hares are not, however, categorically good investments for all investors. For one, they might demand a price today for future earnings that does not represent value (net present value of future earnings does not cover cost of capital), which makes it hard to accept the investment rationale from a fundamental analysis point of view. There might also be questions regarding governance structures. The recent allegations of deception and misleading of investors by the Arizona-based Nikola Corporation on their zero-emissions concept vehicles, might turn out to be a cautionary tale . There may also be issues pertaining to other material sustainability factors beyond those that hares specifically seek to address – for example within labour relations, supply chain due diligence and human rights.

We believe that working with the tortoises, which we believe to be somewhat overlooked on their sustainability credentials, is also an important part of our ongoing sustainable transition efforts. Whilst the optics might not look favourable at present – at least when comparing with the hares within related industries – fundamental analysis and active value investing can help uncover companies with a sustainability proposition that has not yet materialised and is not appreciated.

[1] https://www.transitionpathwayinitiative.org/
[2] https://www.transitionpathwayinitiative.org/sectors/electricity-utilities

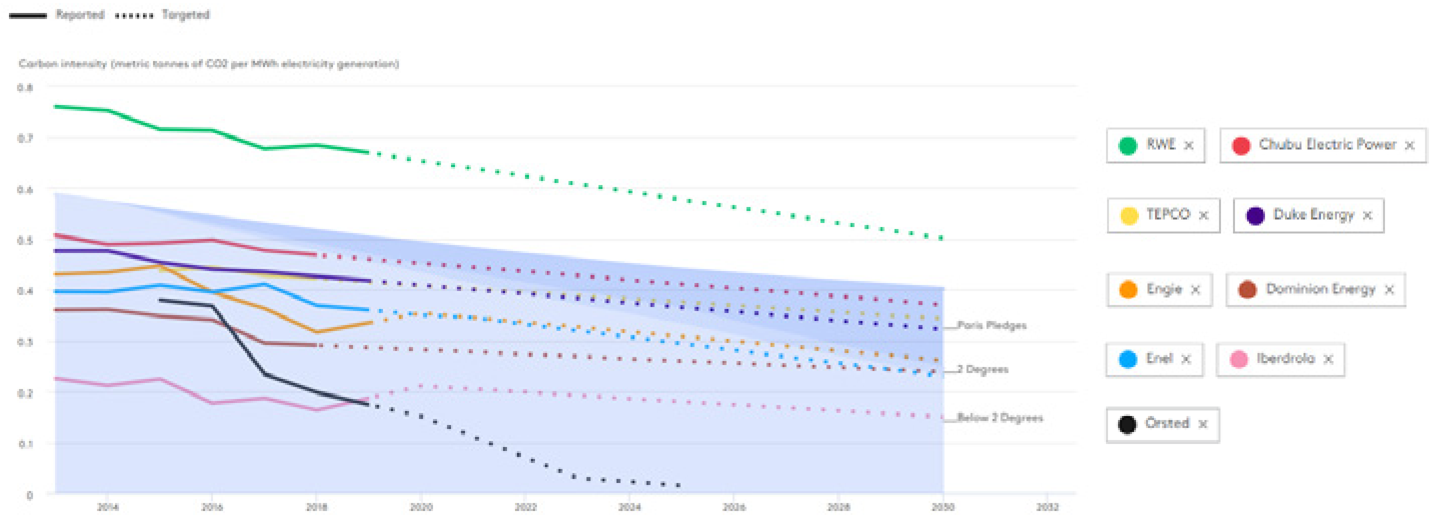


Figure 1: Data from the Transition Pathway Initiative (TPI) on electric utilities provides a good illustration of the dynamic between hares and tortoises. The carbon intensity of respective companies can be measured against two energy intensity pathways; those set by the company itself, and how those ambitions align against different climate scenarios. Source: TPI

SKAGEN seeks to provide its clients with the best possible risk-adjusted returns and follows disciplined value guiderails in its search for the best investments. In that search we might well find both hares and tortoises. What they both have in common is that they pass our fundamental expectations of corporate activity and behaviour as well as a clear value investing proposition.

We believe that working with the tortoises, which we find somewhat overlooked on their sustainability credentials, is an important part of our sustainable transition effort. Photo: Adolfo Félix, Carey. Unsplash.com

Carbon Performance: Electric Utilities (Transition Pathway Initiative)

As an illustration of the tortoise and hare dynamic, the hares are clearly Orsted and Iberdrola. Orsted comes out as a strong company both on management quality and carbon performance and can document a carbon performance, alongside Iberdrola, that is compatible with a below 2 degrees scenario. As we move further up the curve, we spot the tortoises. Companies like Engie, Dominion, and Enel that are currently operating in the range between the Paris Pledges and 2 degrees scenario.

Slow and steady wins the race?

Sustainability, in its simplest form, can be summed up by the well-known definition in the Brundtland report:
"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

To achieve this goal, there are a multitude of different initiatives being carried out by states, NGOs, companies and financial market participants, often coalescing around how an activity contributes to one of the sustainable development goals. Low-carbon societies will be pivotal to reach our end-goal – but so too will good social mobility, high quality jobs and education, to name but a few.

The transition to a sustainable globe will be gradual over the coming decades, involving bursts of disruption as well as elements of incremental scaling and deployment. Whilst the focus in the market today might rest on the hares as those that will guide us towards 2050, we believe that tortoises too – at least the right ones – have a key role to play and will undergo a transformational change. In that spirit, we are convinced that there will be mispriced hares and overlooked tortoises that are of interest to value investors (and others) going forward. We will have to wait and see whether the outcome of the parable turns out to hold empirical merit in this case.

Sondre Myge Haugland
Sustainability Specialist

Corporate sustainability news

SKAGEN is dependent on our clients' and employees' trust and respect as a socially responsible asset manager. We endeavour to uphold sound ethical principles and be a trustworthy company.

Climate audit and carbon tracking

During September, SKAGEN arranged for CEMAsys – a renowned sustainability consultant and provider of ESG solutions – to conduct a climate audit of SKAGEN AS during autumn. The results will be communicated in due time.

While it is through our investments that SKAGEN can have the biggest positive sustainability impact, awareness of and transparency around our own carbon emissions – and subsequently identifying ways to reduce these – is part of our commitment to the Sustainable Development Goals (SDGs) and Global Compact. This work will be a priority for the Corporate Sustainability Group over the coming months.

Diversity and inclusion

SKAGEN has long had a tradition of arranging collective training sessions for the whole company on a regular basis.

The theme at our most recent 'SKAGEN School' in September was how to ensure an inclusive work environment, with emphasis on how to identify, analyse and overcome our common unconscious biases. The author, co-founder and CEO of Equality Check and #HunSpanderer, Marie Louise Sunde led the session and she highlighted biases towards women and minorities in the workplace. Her thought-provoking presentation stressed the importance and positive impact of a diversified workplace.

One of SKAGEN's highlighted SDGs is Gender Equality (where we include diversity of all kinds), and we are currently working on a specific Equality, Diversity & Inclusion supplement to our People strategy. We believe that strategic awareness and targeted action is the way to become even more diversified as a company.

A great place to work (from home)!

SKAGEN has an ambition to be a great place to work, even with many of our employees working from home. We send out a monthly employee engagement survey, and over the past six months we have included additional questions to ensure a focus on good physical and psychosocial support during these uncertain times.

This summer we initiated an internal hiking campaign to encourage physical activity and to take advantage of the outdoors. We reimburse employees for home office equipment, encourage social contact via digital platforms, promote team cohesion and team specific (Covid-19 safe) events. We also facilitate personal and professional development via online learning providers.

We continue to offer flexible working hours and locations to ensure the best possible work environment for our employees.

Linn G. Eriksen
Responsible for Corporate
Sustainability Group

Storebrand Group have fully excluded coal from its investable universe and will take further action against industries actively contributing to climate change.
Photo: Bart van Dijk. Unsplash.com

New climate policy

During the quarter, the Storebrand Group (that SKAGEN is part of) launched a new climate policy to intensify action against global warming and quicken the transition to a greener economy. The wide-ranging initiative will guide how SKAGEN invests in order to mitigate and adapt to climate change.

As part of the Storebrand Group's commitment to have net-zero greenhouse gas (GHG) emissions across its investment portfolios by 2050, the policy will strengthen engagement and divestment initiatives as part of wide-ranging strategies and investment methods.

Active ownership

The policy, which applies to all our funds, will see SKAGEN using our ownership position to stimulate climate practices at portfolio companies. We believe that engagement is one of the best ways to effect change and we will seek to build positive dialogue with companies and support their transition to low carbon and climate-resilient activities, both individually and through investor initiatives such as the Principles for Responsible Investment (PRI) and Climate Action 100+.

SKAGEN recently became a supporter of the Transition Pathway Initiative (TPI), an investor-led initiative to assess companies' preparedness for the transition to a low-carbon economy. This will be central to our engagement with companies that are responsible for material carbon emissions.

Stricter exclusions

The new policy will also tighten restrictions against companies that contribute heavily to climate change. Businesses that lobby against the goals of the Paris Agreement, for example, will be excluded from our investment universe.

Existing restrictions on coal and oil sands have also been intensified to now cover any companies that derive more than 5% of revenues from these activities, and we will no longer invest in those contributing to deforestation through the unsustainable production of palm oil, soy, cattle and timber.

The full climate policy, which also includes details of how the Storebrand Group will make investment decisions in line with scientific consensus, redirect capital flows towards low carbon companies and make it easier for clients to contribute to a low carbon future, is available here.

SKAGEN awarded high PRI scores

SKAGEN has been awarded top scores in the most recent Principles for Responsible Investment (PRI) assessment report.

As a PRI signatory, each year, SKAGEN reports on a range of criteria according to the PRI's framework for responsible investing. Based on this, PRI issues a report to assess to what extent we have fulfilled the principles. A+ is the highest score awarded.

In its most recent assessment report published in the summer, PRI awarded an A+ rating to SKAGEN in the "Strategy & Governance" category and A ratings in the "Listed Equity – Incorporation" and "Listed Equity – Active Ownership" categories. The incorporation category looks at how well SKAGEN incorporates sustainability issues into investment decisions while the active ownership category is about how we well we engage with companies and our voting activity at general meetings. SKAGEN's scores are higher or on a par with the median when compared with peers.

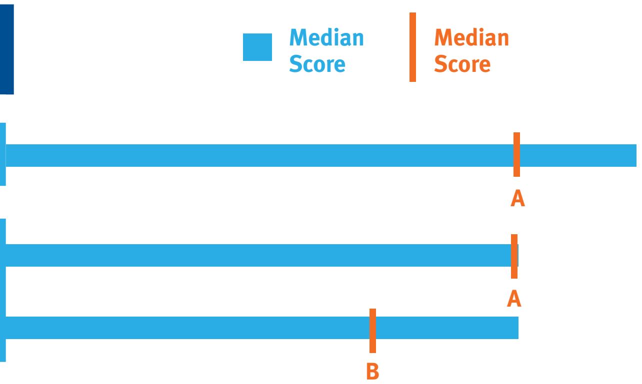
"Our annual assessment is an important part of our work to continuously improve our sustainability initiatives. We are of course very pleased to have received such high scores, but our focus now is on the road ahead," commented sustainability specialist Sondre Myge Haugland. SKAGEN became a PRI signatory in 2012 and has since been subject to yearly assessments. PRI reporting is the largest global reporting project on responsible investment. The aim is to facilitate learning and development for asset managers and improve their responsible investment practices.

As a PRI signatory, SKAGEN commits to following a set of six principles for incorporating ESG issues into investment practice:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

Read more about sustainability in SKAGEN here

AUM	Module Name	Your score
	01. Strategy & Governance	A+
>50%	10. Listed Equity - Incorporation	A
>50%	11. Listed Equity - Active Ownership	A



Whilst the ESG risk of a company provides an assessment of current ESG risk, it does not necessarily capture future momentum and positive potential. Photo: Karsten Würth, Mölsheim, Germany, Unsplash.com

ESG Risk Rating: Assessing the full picture

To understand companies' exposure to material ESG issues and how they may impact shareholder value, SKAGEN uses the ESG risk ratings compiled by the research and rating firm Sustainalytics. These ratings are expressed as absolute scores between 0 and 100, with 100 indicating the highest level of ESG-driven financial risk. These scores fall into five levels of risk: negligible (0-10), low (10-20), medium (20-30), high (30-40) and severe (40-100). The ESG risk rating is made up of two components: the general ESG risk exposure that a company has (ESG exposure), and how well that risk exposure is managed (ESG management).

A company may have high exposure to ESG risk by virtue of the industry it operates in (e.g. oil & gas) but also have good practices to manage those risks, thereby bringing down the overall ESG risk.

SKAGEN's ESG integration framework is built on three pillars:

1. **Exclusion:** Negative screening against our ESG policy where we exclude companies that fail to meet our initial threshold and sustainability standards.
2. **Integration:** Incorporating ESG information into the investment process and making sure our portfolio managers have access to required and relevant ESG information about companies.
3. **Active ownership:** Direct dialogue with companies to manage and improve material ESG risk.

Large caps provide more disclosure

The ESG management score tends to favour larger and/or older companies, as smaller and/or newer ones rarely have the resources or capability to provide solid management programs and policies. Younger companies also tend to have less experience in conducting materiality consultations and integrating ESG factors into their corporate strategy. We therefore often see that these companies receive a low ESG management score, despite being involved in few controversies. As some of our funds tend to invest a significant proportion of their portfolios in small cap companies, this should be kept in mind when considering the score.

Future potential

Whilst the ESG risk of a company provides an assessment of current ESG risk, it does not necessarily capture future momentum and potential. Returning to the oil & gas industry as an example, a snapshot assessment of the exposure companies in the industry face might not capture the renewable energy efforts that are being developed and the gradual pace of sustainable transitioning. Active ownership and our engagement with companies can help us identify such dimensions.

Importantly, there are no objectives or expectations for the funds to have a specific ESG risk at portfolio level or to be better than the benchmark. ESG integration in the investment processes is used to prioritise and execute active ownership as a tool to influence the risk and reward profile of an investment. ESG data provides crucial input in our investment processes and serves as guiderails for investment decisions. It thus informs our sole purpose: to provide the best possible risk-adjusted return to our clients.

ESG RISK RATING

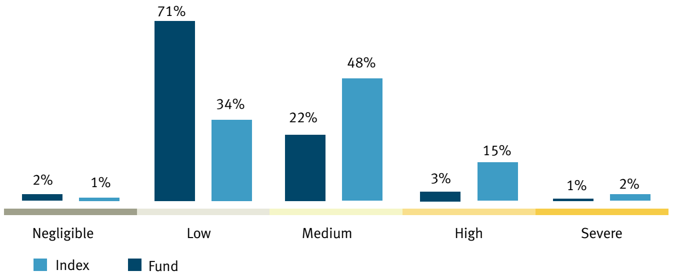
All risk ratings on this page are powered by Sustainalytics.

SKAGEN Global

SKAGEN Global continues to remain within the low ESG category. There were further improvements in Q3 compared to Q2 as the ESG risk exposure was reduced from 34.9 to 31.1. The fund is stronger than its benchmark – scoring better on both the absolute numbers and ESG risk category across all metrics.

	SKAGEN Global	MSCI ACWI
Coverage rate:	100%	99%
ESG Risk Rating:	18.3 (Low)	23.3 (Medium)
ESG Exposure:	31.1 (Low)	40.6 (Medium)
ESG Management:	50.2 (Strong)	45.2 (Average)

ESG Risk Category by aggregate portolio weight %

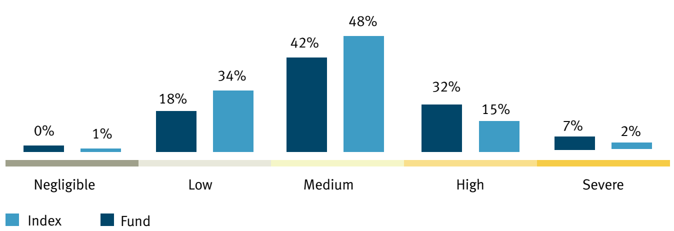


SKAGEN Focus

The overall ESG risk rating in SKAGEN Focus increased slightly in Q3 compared to Q2 but remains within the ESG risk category. The increase was driven by the higher ESG risk exposure.

	SKAGEN Focus	MSCI ACWI
Coverage rate:	90%	99%
ESG Risk Rating:	28.8 (Medium)	23.3 (Medium)
ESG Exposure:	46.0 (Medium)	40.6 (Medium)
ESG Management:	39.4 (Average)	45.2 (Average)

ESG Risk Category by aggregate portolio weight %

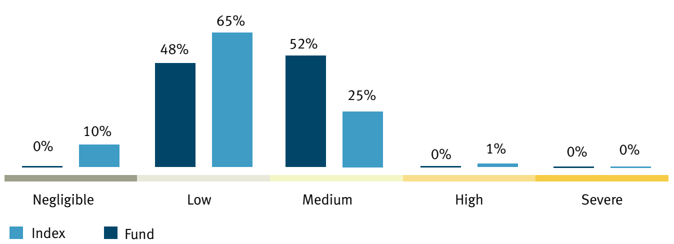


SKAGEN m²

SKAGEN m² also continues to remain within the low ESG category – albeit with slightly higher absolute ESG risk scores than its benchmark. There were no significant changes to the ESG risk ratings of the fund or its benchmark in Q3.

	SKAGEN m²	MSCI Real Estate
Coverage rate:	95%	99%
ESG Risk Rating:	19.9 (Low)	17.1 (Low)
ESG Exposure:	29.1 (Low)	27.3 (Low)
ESG Management:	32.5 (Average)	38.2 (Average)

ESG Risk Category by aggregate portolio weight %

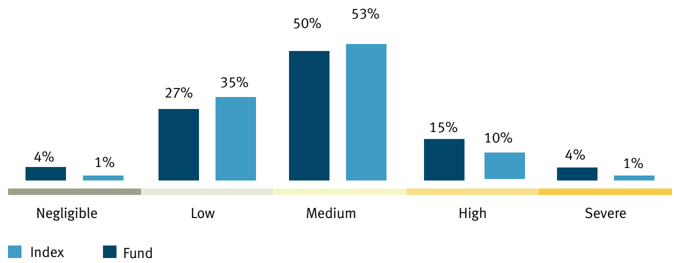


SKAGEN Vekst

The ESG risk rating profile of SKAGEN Vekst remained unchanged in Q3. Any changes made were minor and within the existing risk category. The fund's risk rating and exposure are 10% higher than that of the benchmark, whilst management of ESG risk is slightly stronger than benchmark.

	SKAGEN Vekst	MSCI Nordic/ ACWI ex Nordic
Coverage rate:	98%	99%
ESG Risk Rating:	24.6 (Medium)	22.3 (Medium)
ESG Exposure:	44.4 (Medium)	40.3 (Medium)
ESG Management:	47.6 (Average)	47.2 (Average)

ESG Risk Category by aggregate portolio weight %

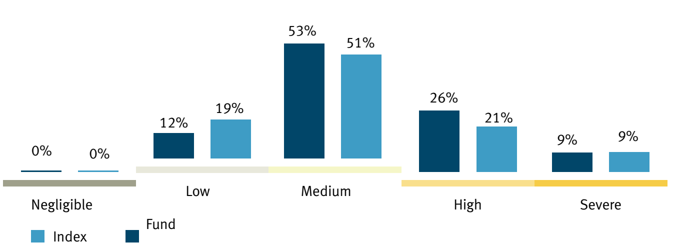


SKAGEN Kon-Tiki

Reduction of ESG risk levels continued in SKAGEN Kon-Tiki, and the fund moved from the high risk category in Q2 to the medium risk category in Q3. The improvement in the overall risk rating is due to a slight reduction in ESG risk exposure and a slight improvement in ESG risk management amongst the portfolio holdings.

	SKAGEN Kon-Tiki	MSCI EMI
Coverage rate:	94%	99%
ESG Risk Rating:	28.9 (Medium)	27.3 (Medium)
ESG Exposure:	45.2 (Medium)	42.8 (Medium)
ESG Management:	38.8 (Average)	38.2 (Average)

ESG Risk Category by aggregate portolio weight %



Exclusion as a last resort

As an active and value based investment manager, SKAGEN has a distinct investment philosophy and process that builds on common sense and a belief that companies which understand and incorporate sustainability in their business strategy will outperform their peers over the longer term. SKAGEN excludes the following activities from our funds:

Corporate behaviour:
- Systematic breach of international laws and norms and human rights
- Systematic corruption and financial crime
- Serious environmental degradation (deforestation)
- Companies that produce or sell controversial weapons (nuclear, land-mines, cluster munitions, etc.)

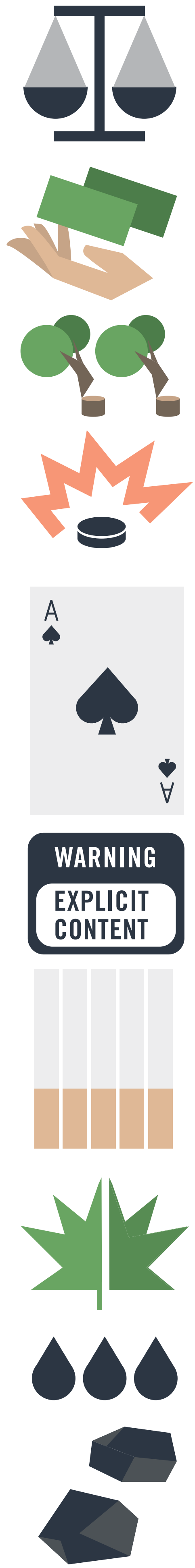
Products/activities:
- Gambling (more than 5% of revenue)
- Adult Entertainment (more than 5% of revenue)
- Tobacco (more than 5% of revenue)
- Recreational cannabis – THC (more than 5% of revenue)
- Coal (5% of revenue)
- Oil Sand (5% of revenue)

Exclusion is to be used as a last resort, and should only be applied when companies clearly fail to demonstrate change or improvements. If an excluded company demonstrates positive change that reduces the risk of recurrence, the company may be re-included.

Read more in our Sustainability policy

Exclusion list as of 30.09.2020 Exlusion category	No. of companies
Conduct-based exclusion - Environment	**14**
Conduct-based exclusion - Corruption	**9**
Conduct-based exclusion - Human Rights and International Law	**31**
Tobacco	**25**
Controversial weapons	**24**
Climate - Coal	**96**
Climate - Lobbying	**5**
Climate - Oilsand	**6**
Unsustainable Palmoil	**13**
Gambling	**40**
Cannabis	**2**
Total number of companies	**206***
Observation list:	

* Some companies are excluded on the basis of several criteria.
We do not invest in companies that have been excluded by Norges Bank from the Government Pension Fund – Global.



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Peder Severin Krøyer, Marianne Stokes, 1886. This painting is manipulated and belongs to The Art Museums of Skagen.

The art of common sense

Part of Storebrand